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INDUSTRIAL INVESTMENT PROMOTION

Report by the Director-General

Summary

Reports on the implementation of actions called for by the Board in decision IDB.8/Dec.13, in particular, a request to the Director-General to present his response and follow-up to the evaluation report on industrial promotion (reiterated in resolution GC.4/Res.17, para. 3 (g)); and to intensify his efforts towards full compliance with Board decision IDB.6/Dec.15, paragraph (e) by submitting the study referred to in Conference resolution GC.3/Res.19 (and subsequently reiterated in resolution GC.4/Res.17, para. 3(i)) on the possibilities and different modalities for fostering regional investment promotion activities.

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Introduction

1. In compliance with the Industrial Development Board decision IDB.8/Dec.13, the present document describes the measures undertaken to respond to the evaluation report of the industrial investment activities of UNIDO, as indicated in paragraph (j), addressing ways and means of:

(a) Focusing on the quality of output of the Industrial Investment Division;

(b) Improving the internal coordination of UNIDO;

(c) Improving the external coordination and mutual cooperation with other agencies, both inside and outside the United Nations system, such as the international, regional, bilateral and local financial institutions, thus establishing the complementary role of UNIDO in the field of investment promotion.

2. In paragraph (k) of the same decision the Board also requested the Director-General to develop:

(a) Clear terms of reference and minimum standards for the selection and assessment of investment projects to be promoted through the Industrial Investment Division;

(b) Minimum standards for the selection of sponsors of investment projects;

(c) Clear terms of reference for consultants when selecting projects;

(d) A clear programme of activities of the Industrial Investment Division, addressing among others assistance to developing countries in the upgrading of their capabilities in the formulation, selection, and assessment of investment projects in order to meet the minimum standards required for successful project

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promotion, the role of investment forums, the focus on small and medium-sized projects and their follow-up.

3. Also in response to decision IDB.8/Dec.13 the Director-General was requested in paragraph (h) to intensify his efforts towards full compliance with paragraph (e) of decision IDB.6/Dec.15 by submitting, as soon as possible, the study referred to in resolution GC.3/Res.19 on the possibilities and different modalities for fostering regional investment promotion activities. Actions relating to decision IDB.8/Dec.13 were to be reported to the Board at its ninth session, in accordance with paragraph (l) of that decision, and reiterated in resolution GC.4/Res.17.

I. REGIONAL INVESTMENT PROMOTION

4. Regarding the proposed study on regional investment promotion activities, reference was made in document IDB.8/18, paragraph 11 to the fact that preparation was limited to research on the African region only, owing to staff and financial resource constraints. Since no additional staff or financial resources have been allocated for the study, no further progress has so far been achieved in its preparation. Paragraph 11 also states that until sufficient resources become available to UNIDO for preparing the study UNIDO will:

(a) Systematically expand the activities initiated during the 1990-1991 biennium to ensure that UNIDO is fully informed of developments in regional investment promotion in all developing regions and will endeavour to ensure that experience gained is disseminated to other developing regions;

(b) Endeavour to mobilize existing resources for undertaking the studies described in document IDB.6/9 (para. 4);

(c) Accord priority, in its ongoing and future activities, to the design of technical cooperation programmes to foster regional investment promotion, including trilateral cooperation, and to mobilize financial resources for the implementation of such programmes.

Therefore the present document will report on industrial investment activities with regard to items (a) to (c) and specify the financial resources required to complete those studies.

Africa

5. The fostering of regional industrial investment promotion was undertaken at the subregional level, in keeping with the activities described in paragraph 11 (a) of document IDB.8/18. 1/ Preparatory activities were initiated for another subregional industrial programme, the Economic Community of West African States (ECOWAS). It will include an investment forum at Dakar, Senegal, in December 1992, and will be implemented with the support of the Centre for Development of Industry (CDI). At the request of the Federation des Chambres de Commerce et de l'Industrie de l'Ocean Indien (encompassing Comoros, Madagascar, Mauritius, Reunion and Seychelles) and with the agreement of the Malagasy Government, the Madagascar investment programme tentatively scheduled in November 1992 will be enlarged to include potential foreign partners from the other countries of the Indian Ocean. This enlarged programme will benefit from the financial and technical support of the Agency for Cultural and Technical Cooperation (Agence de cooperation culturelle et technique) (ACCT). Subject to availability of funds, regional investment will also be fostered through ad hoc programmes for members of the Organization of African Unity (OAU) and the Southern African Development Coordination Conference (SADCC) countries.

6. With regard to the study on the possibilities and different modalities for fostering regional investment promotion activities (para. 3 above), studies have been made and an expert group meeting organized, as already reported in IDB.8/18.

7. In the light of the conclusions and recommendations of those studies as well as of the expert group meeting, future activities will concentrate on the identification of constraints and approaches to overcome them. In the same framework, appropriate policies will be defined to support industrial infrastructure and services and strengthen local capabilities and capacities, thus creating an economic environment conducive to a healthy subregional investment climate as a tool for an economic integration of the region. To achieve that aim, it is proposed to make a comparative analysis of existing policies, strategies and programmes related to regional and subregional investment promotion. The study will also assess the achievements made hitherto and propose ways and means to strengthen the complementarity of national and regional/subregional programmes. It will be undertaken in close cooperation with African regional and subregional organizations and banks such as the African Development Bank, the Central African Customs and Economic Union (Union douaniere des etats de l'Afrique Central) (UDEAC), the Economic Community for Central African States (ECCAS), ECOWAS, OAU, the Preferential Trade Area for Eastern and Southern African States (PTA), and subregional financing institutions. It should be noted that the preparation of such a study would cost $60,000 for the services of an international consultant.

Asia and the Pacific

8. Regional investment proposals continued to be fostered in 1991, on an ad hoc basis in the four integrated investment programmes in the region, and described more fully in the 1991 Annual Report. 2/

9. Undertaking the proposed study on regional investment promotion (para. 3 above), initially at each regional level, in Asia and the Pacific, is expected to require the assistance of an international expert at a cost of $30,000 to analyse regional investment promotion activities undertaken by regional or international institutions/organizations (including UNIDO programmes implemented in 1990-1991 in Fiji, Sri Lanka and Viet Nam and an ongoing programme in Nepal) and to analyse the impact of those activities on regional economic cooperation, integration and development. Other duties of the expert would be: to analyse achievements and the

impact of ongoing activities undertaken by all relevant institutions; to provide detailed information on actual regional flows of investment resources; to propose specific activities to foster the promotion of regional investment cooperation in the region; and to propose the role which UNIDO could play in regional investment promotion.

10. The outcome of this study and report could provide an input for formulating a new technical cooperation integrated programme for the promotion of regional investment, including promotion of investment projects and technology transfer from Japan, the newly industrializing countries and the Association of South-East Asian Nations (ASEAN) to other countries of the region, such as Cambodia, the Lao People's Democratic Republic, Myanmar, Papua New Guinea and Viet Nam. Some ASEAN countries have indicated an interest in such a programme and Thailand might offer to host a regional investment forum within this programme. However, financing of such an integrated programme has to be explored with the ASEAN countries and other Governments, the United Nations Development Programme (UNDP), the Asian Development Bank and ESCAP.

Latin America and the Caribbean

11. A regional investment programme for the Andean Group countries was formulated and designed in 1988 and was approved and initiated in 1989. The major activities of the programme during 1991 included: (a) the identification, formulation and promotion of 150 investment projects; (b) the participation of some 300 nationals (entrepreneurs and government officials) at workshops on topics related to foreign investment resource mobilization such as investment project screening and appraisal using the UNIDO-developed computer software PROPSPIN (Project Profile Screening and Pre-appraisal Information System) and COMFAR (Computer Model for Feasibility Analysis and Reporting), investment promotion information systems such as the Investment Promotion Resources Information System (INPRIS) and the Database for Investment Promotion Programme (DIPP), as well as the placing of two delegates at the Paris Investment Promotion Service Office (IPS) and one delegate at the Cologne IPS Office; and (c) the organization of three investment project promotion events. 3/

12. In 1989, a concept was developed with the Association of Latin American Development Financing Institutions (ALIDE), for a pilot joint programme based on two main features:

(a) The use of the integration treaty signed by Argentina, Brazil and Uruguay. This treaty constitutes a very important market for the promotion of the projects identified in those countries;

(b) The projects would originate from the national development financing institutions, which would be willing to provide the appropriate guarantees for the projects concerned regarding local investment. For the projects identified, foreign investment would be sought.

13. Owing to the scarcity of resources available to ALIDE and UNIDO for the financing of consultants, the pilot phase was initiated only at the end of 1991, and currently the results of the projects identification are being assessed.

14. A major difficulty in preparing the proposed study on regional investment promotion in the Latin American and Caribbean region is that there are numerous organizations with experience in this field that are involved in, or about to embark on, similar investment-related activities. Therefore, a concerted UNIDO strategy for entering into this field has to be developed and followed. Some work has already been done in this respect, so future action should be geared towards: covering subregions other than those referred to in paragraph 12 above; assessing the impact of the activities already initiated by UNIDO in the area; and linking subregional programmes, for instance between countries of the Andean Group and those of Central America.

15. Moreover, a few replies were received to a request to major regional institutions for information on their completed or foreseen investment-related activities. The replies will require analysis and follow-up action at the correspondence level.

16. Taking into account that a great part of Latin America and the Caribbean has been covered, either through ongoing or already designed programmes, resources would be required for two consultants, at a cost of $15,000 each, one to design a programme for the Caribbean countries and the other (locally recruited) to analyse the documents received, the results of the ongoing programmes, the findings of the Caribbean survey and the preparation of specific proposals. The organization of an expert group meeting for Latin America and the Caribbean, at a cost of $30,000, aimed at identifying the sectors and subsectors of industry where cooperation could be established.

Arab countries, Europe and Mediterranean countries

17. With regard to the Arab countries, a programme that has been formulated to promote business and investment cooperation between the countries of the Arab Maghreb Union (AMU) and countries of western and northern Europe will, in 1992-1993, endeavour to exploit the trend towards economic integration within those countries and the opportunities for regional investment projects that present themselves as a result. A joint programme with the Economic and Social Commission for Western Asia (ESCWA) was implemented in 1990 to promote cooperation between Arab countries in the field of electronics. The proposed study should therefore focus on the existing opportunities for accessing markets in the Maghreb region and on the prospects for further integration as the activities of AMU gain momentum.

18. In the Gulf countries, a programme to promote regional investment projects is under implementation. 4/ The portion of the study dealing with the Gulf area will consider the opportunities for regional investment promotion offered by the Gulf Cooperation Council (GCC), and the extent to which economic integration in the whole Gulf area will favour regional investment projects. A recent mission to the United Arab Emirates indicates that opportunities exist in the Gulf for carrying out regional technical cooperation activities in such areas as

identification and screening of investment projects, as the countries of the region increase their efforts to diversify their industries away from the petrochemicals sector.

19. In Europe, experience with regional investment promotion activities has focused on fostering business cooperation between enterprises in a given potential investor country and countries of central and eastern Europe. 3/

20. In the proposed study (para. 3 above), attention should be focused on the opportunities that exist for promotion of investment projects likely to benefit from the additional sales potential that could result from accessing regional markets. With regard to Europe, particular attention should be given in the study to the prospects of re-establishing the commercial links that existed between the former Union of Soviet Socialist Republics and its fellow members of the former Council for Mutual Economic Assistance (CMEA). There appear to be opportunities for carrying out regional technical cooperation activities in central and eastern Europe in such areas as financial analysis and screening of investment projects, since the need to acquire new skills that are adapted to the requirements of a market economy are similar in all the countries of the region.

21. In the Mediterranean area, the study should focus on the Black Sea Cooperation Project initiated by Turkey with the participation of Bulgaria, Romania and Ukraine, for which an agreement was recently signed by the Heads of State of the participating countries. This project opens interesting prospects of economic cooperation and integration, and consequently for regional investment promotion.

22. Owing to the diversity of the Arab, European and Mediterranean countries, a number of distinct studies will be required. A total of $68,000 is estimated to be required in order to recruit qualified experts to assist in the preparation of the study, as follows:

- For central and eastern Europe: $15,000;
- For the Maghreb countries, the Gulf region and the Arab countries as a whole: $30,000;
- For the Black Sea region: $23,000.

II. RESPONSE AND FOLLOW-UP TO THE EVALUATION REPORT

23. In an effort to promote industrial investment UNIDO directly assists the enterprise sector, mainly small and medium private sector industrialists, in developing countries to mobilize those foreign investment resources required for the implementation of their new investment projects, or those requiring expansion, modernization or rehabilitation. 5/

24. Investment resource mobilization for specific investment projects is achieved by assisting developing country entrepreneurs in the identification, formulation, screening and promotion of specific, and potentially viable, investment projects which require foreign investment resources for their implementation.

25. UNIDO also indirectly assists the enterprise sector by strengthening existing, and establishing new, national institutional capabilities charged with the task of inward mobilization of investment resources and the improvement of the investment climate to create an enabling environment for local and foreign private investors.

26. The Industrial Investment Division (IID) usually seeks to provide the assistance described above through the implementation of comprehensive and integrated industrial investment technical cooperation programmes which are especially designed for each developing country on the basis of a prior analysis of its industrial policies and programmes, its investment opportunities, its investment climate and how it is perceived by potential foreign partners, its projects identification and promotion institutional and human skills infrastructure, and its need for inward investment resources mobilization. Such a programme may include, in addition to specific investment project identification, formulation and promotion, assistance in investment climate improvement, and strengthening/establishment of local institutions and national capabilities in industrial investment project identification, formulation, screening, and promotion. The success of these programmes is directly linked to the number of investment projects whose promotion is successfully concluded as well as to the extent to which national individual and institutional capabilities are strengthened or newly created. In view of the critical importance of strengthening national individual and institutional capabilities, IID always seeks to ensure that this aspect is incorporated in all the technical cooperation programmes it designs upon the request of developing countries. The implementation of these programmes may be financed from a variety of sources such as UNDP, bilateral and other multilateral financing institutions and donors, and trust funds provided to UNIDO by the developing countries' Governments, by institutions, such as development banks, or by industrial firms.

27. Paragraph 3 (a) of GC.4/Res.17: UNIDO has continued to promote actively the flow of investment resources to developing countries. The current international environment is becoming highly competitive as a result of the increasing number of developing countries which are liberalizing their economies, or have already done so, in order to attract more investment resources. Furthermore, the industrialized countries are competing to attract such resources to their own countries. Within this international environment the total value of the developing countries' investment projects whose promotion was concluded through UNIDO increased from $556 million in 1989 to $890 million in 1991. These figures represent the total investment of all the projects which were identified, screened, formulated and promoted, and in which the foreign partner or the national investor has informed UNIDO that it has concluded a written agreement to cooperate in completing the project's preparation or its implementation.

28. Paragraph 3 (b): A regional structure was introduced in IID informally in 1987, and was formalized in the programme and budgets for the 1990-1991 biennium. At the same time, IID was assigned full responsibility for implementing and/or coordinating investment project related

activities. The four regional units of IID cover: Africa, Asia and the Pacific, Latin America and the Caribbean, and the Arab, European and Mediterranean countries.

29. This specialization has enabled each of the regional units to work closely with the Organization's corresponding Area Branch and so lead to enhanced coordination within UNIDO. The regional structure has also led the IPS offices to assign an IPS staff member to activities in each region which has resulted in further strengthening and facilitating coordination between IID staff at Headquarters and those at IPS offices. A regular four-monthly mutual reporting system between Headquarters and the IPS offices was recently initiated. This coordination has enabled the programme to finance delegates at IPS offices from technical cooperation activities implemented by the IID regional units, and to coordinate travel by Headquarters and IPS staff to developing countries. As a result, the implementation of IID's technical cooperation activities in developing countries has increased by over 150 per cent during the three-year period 1988 to 1991. Another important coordination instrument is the annual meeting held with the staff of IID at Headquarters and those of the IPS offices. As of 1992, these meetings are held twice a year (instead of annually), with one meeting held at UNIDO Headquarters and the second organized by an IPS office. The meetings provide a forum for frank and extensive discussions on current and future activities.

30. Paragraph 3 (c) of GC.4/Res.17 and paragraph (g) of IDB.8/Dec.13: Although the Industrial Cooperation Centres (ICCs) are backstopped by another UNIDO Division, IID seeks to achieve maximum possible coordination and cooperation between them and the IPS offices through: direct contacts between ICCs and the IPS offices; keeping ICCs informed of all investment activities undertaken by IID at Headquarters; participation, whenever possible, of ICCs in such activities with financial support from IID, for example the participation of the Head of ICC, Beijing, in the Sri Lanka investment forum; and inviting the Heads of ICCs to participate in the annual meetings of the UNIDO Industrial Investment Programme.

31. Paragraph 3 (d) of GC.4/Res.17 and paragraph (j)(i) of IDB.8/Dec.13: The activities and priorities of IID are described in the programme and budgets for the current and previous bienniums which are approved by the General Conference. Furthermore, IID activities are undertaken in response to requests from the Governments of the developing countries concerned. The quality of the outputs of any activity is directly linked to the staff and other resources allocated to it; every effort is made to ensure that the highest possible efficiency, effectiveness and impact are achieved through the implementation of IID activities. The extent to which IID has succeeded in achieving a higher level of quality is clearly evidenced by: (a) the observed increase in the number of requests received from member countries for investment activities; (b) the increase in the value of technical cooperation delivered to developing countries, at their request, during the past few years; and (c) the increase in the contributions received from industrialized countries for the financing of technical cooperation programmes in developing countries, for augmenting the staff and financial resources allocated to IID, as well as for the expansion of existing IPS offices and the establishment of new ones.

32. Paragraph 3 (e) of GC.4/Res.17: A number of internal actions have been taken aimed at enhancing the internal capabilities of UNIDO through increased efficiency within existing programmes of IID as well as those of other UNIDO divisions.

33. Paragraph 3 (f) of GC.4/Res.17 and paragraph (f) of IDB.8/Dec.13: Donor countries where IPS offices are already in operation are reminded frequently to promote the increasing participation of developing countries in the IPS orientation/delegates programmes for developing countries. However, so far no appreciable increase of financial contributions for that purpose has materialized.

34. Paragraph 3 (g) of GC.4/Res.17 and other sections of paragraphs (j) and (k) of IDB.8/Dec.13: In addition to the above, the following is the response of the Director-General to the evaluation report:

(a) The Industrial Investment Division continues to cooperate and coordinate with a number of agencies, both inside and outside the United Nations system such as EC/CDI, the World Bank, the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), the United Nations Conference on Trade and Development, the International Trade Centre UNCTAD/GATT, the Inter-American Development Bank, the Inter-American Investment Corporation, the project development facilities operated by the IFC in Africa, Latin America and the Caribbean and the South Pacific, and financed by UNDP and several major donor countries, the regional development banks, European Bank for Reconstruction and Development, and the regional economic commissions.

(b) With regard to further development of minimum standards for the selection and assessment of investment projects and of national investors (sponsors), a document was recently completed and printed entitled, "Guidelines for preparing the Industrial Investment Project Profile" (IPCT.137(SPEC.) 15 April 1991). The document was finalized in consultation with the staff of IPS offices and provides detailed guidelines to ensure that investment projects and national investors suitable for promotion are selected by the staff members, consultants or entrepreneurs preparing the investment project profile, one of the main methods by which IID and the IPS offices promote investment projects. This project profile document is extensively used in developing countries and is available in English and French; a Spanish translation is under preparation.

(c) Investment forums constitute only one phase, usually the last phase, of the integrated technical cooperation programmes which IID recommends to developing countries. Forums are only held after considerable preparatory activities have been successfully completed, and only at the request, and often insistence, of the developing country concerned. Similarly, terms of reference for consultants are prepared in consultation with the counterpart government agencies concerned, and no consultant can travel

to a developing country to undertake an assignment without the prior approval of both the consultant and his terms of reference by the government authorities concerned.

(d) Almost all the investment projects identified for IID activities are small and medium projects; the average total investment per project, during the past five years, varied between $2.5 million and $5.4 million.

(e) The evaluation report recommended, inter alia, that "UNIDO's investment promotion resources and activities be concentrated under one organizational unit"; that "the Feasibility Studies Branch be integrated into IID"; and that "institution building projects dealing with the establishment or strengthening of investment promotion agencies (focal points) and all IPSs and ICCs should come under the same organizational unit".

(f) Also recommended were further development and harmonization of the information databases used by IID at Headquarters (INPRIS) and by IPS offices in support of the investment activities. During 1991 IID started working on the adaptation of a mainframe-based information system to a personal computer-based system, DIPP, developed at the IPS office at Milan. The consultant who developed DIPP was subsequently engaged to adapt the system so that it is available for wider use and to ensure that it facilitates the exchange of information between organizational units as recommended by the evaluation report. Furthermore, all of some 1,800 firms included in the potential foreign partners INPRIS file were sent questionnaires in order to update the file. The use of electronic mail to improve communication and networking is awaiting the outcome of the review undertaken by the Applications Development Section of UNIDO aimed at making electronic mail more user-friendly.

(g) With regard to the harmonization of the two computer software programmes in use by UNIDO - for investment projects screening and preparation of feasibility studies - PROPSPIN and COMFAR, it was agreed that in future both software programmes will use the same terminology so that the two can be used interchangeably.

The integrated approach

35. The integrated approach of IID to technical cooperation activities aimed at mobilizing foreign investment resources for developing countries are best illustrated by briefly describing the IID programmes in Viet Nam and Zambia. The Viet Nam programme was funded by UNDP, supported by in-kind inputs of various IPS offices and executed by IID. The primary objective of the programme was to assist the State Committee for Cooperation and Investment (SCCI) in the identification, formulation and promotion of investment projects and the holding of an investment forum. The programme envisaged utilizing inputs from regional and international organizations such as the Economic and Social Commission for Asia and the Pacific (ESCAP) and the World Tourism Organization (WTO).

36. At the outset UNIDO provided assistance in improving the investment climate in Viet Nam by strengthening the investment infrastructure in the country, namely SCCI, and by reviewing the investment code for Viet Nam. Workshops and seminars for government officials and local entrepreneurs were conducted on topics such as non-traditional financing techniques; export to the European Community market; financial analysis; preparation of feasibility, and especially market studies; negotiations and contracting techniques; and investment project terminology.

37. Promotional documentation prepared on Viet Nam included: an investors' guide to Viet Nam, and an industrial development review series on Viet Nam, giving information: on the Vietnamese economy, the macroeconomic and industrial policy, the manufacturing sector, industrial branch profiles, investment environment, statistical annexes, and a short video film.

38. Subjects of seminars and presentations organized by companies, banks, and other institutions included:

- A strategic approach to foreign direct investment in Viet Nam (ESCAP);
- A master plan for tourist development in Viet Nam (WTO);
- Legal advice and open forum;
- Meetings between foreign and Vietnamese investors;
- Operation of foreign banks in Viet Nam;
- An Economic Fair at Ho Chi Minh City, May 1991;
- Practical experience in investment in Viet Nam.

39. In a later phase of the technical cooperation programme, a UNIDO team of 15 national and international experts identified, formulated and screened 187 specific investment projects in 16 industrial priority subsectors with a total investment value of $6.8 billion, according to clearly defined terms of reference. These investment projects were subsequently promoted through the UNIDO network of IPS offices, the ICCs in Moscow and Beijing and other focal points in countries not covered by IPS offices. The programme was concluded by holding the Viet Nam Investment Forum in March 1991. 6/

40. As of 1 October 1991 the results of the UNIDO programme with regard to investment projects are as follows: 86 letters of intent were signed; 10 investment licenses were issued, with an investment value of $176 million; 17 projects, with a total investment value of $50 million, are under negotiation; and SCCI, assisted by UNDP and UNIDO, gained valuable experience in conducting investment projects identification and international promotion activities. Several hundred Vietnamese entrepreneurs, government officials and staff members of various organizations and institutions have been trained to complete the UNIDO questionnaire on project profiles, and five Vietnamese delegates were posted at the IPS offices at Cologne, Milan, Paris, Seoul and Tokyo.

41. Based on the successful outcome of this programme, a follow-up programme, financed by UNDP, has been approved aimed at providing

assistance to SCCI and to national investors in pursuing and finalizing negotiations regarding investment projects for which letters of intent have been signed, and in continuing the promotion of other investment projects. This will include assistance in preparing market and other pre-investment studies as well as financing the preparation of 18 complete feasibility studies.

42. The Zambia programme consisted of two technical cooperation projects, one, providing assistance to the Zambian Chamber of Commerce and the second, the organization of an investment promotion tour. Both were financed from IPF and supported by complementary activities funded from other sources of financing such as the Industrial Development Decade for Africa (IDDA) programme and the regular budget. The two projects have been operational since 1988. Related activities include giving advice to the target group, improving the enabling environment, strengthening the existing institutional infrastructure and providing direct assistance to private investors and entrepreneurs.

43. As part of the Zambia programme, the Government requested assistance in revising the 1986 Investment Promotion Act, which, following its adoption by the Zambian Parliament, was finalized as the "Investment Promotion Act, 1991". At the time when the Zambian Government approached UNIDO for assistance the only national institution providing investment-related services to national investors was the Zambian Association of Chambers of Commerce and Industry (ZACCI). In the absence of a national investment promotion institution, it appeared necessary to strengthen ZACCI, and a 3-year strategic plan was prepared for that purpose. Related activities were carried out by international as well as national experts and consultants, in close collaboration with UNIDO.

44. Since 1988, three tours with ZACCI participation were organized by UNIDO to publicize Zambia abroad and to promote various national projects. The first tour visited France, Germany and Italy, while the second took place in Japan, and the third in North America and the Caribbean. For the purpose of these country tours UNIDO identified and formulated 35 industrial investment projects which IID and the IPS offices promoted. By the end of 1989, five of these projects had entered the production phase, two were under construction and six others were under serious negotiation. ZACCI is now considered to be an important link between the Government and private entrepreneurs. By virtue of its mandate, however, ZACCI is basically trade-oriented, and with privatization presently a major issue, demand is likely to grow for the setting up of investment promotion services, and as a result of previous experience in that area, UNIDO was requested by the Government of Zambia to assist in the establishment of such an institution.

IPS Manual

45. A further request was made by the General Conference in resolution GC.4/Res.17 to present to the Board the IPS operating manual referred to in paragraph 6 of document GC.4/34. The manual is being finalized and will be made available to the Board at its next session.

III. ACTION REQUIRED OF THE BOARD

46. The Board may wish (a) to take note of the present report and (b) to provide guidance as to the financial resources required to enable the regional investment promotion studies to be undertaken.

Notes

1/ See also IDB.9/10, chap. III, para. 38.

2/ Ibid., paras. 39-40.

3/ Ibid., para. 42.

4/ Ibid., para. 41.

5/ Ibid., para. 36.

6/ Ibid., para. 40.